

# Pizu Group Holdings Limited

## 比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8053)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

#### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors of Pizu Group Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Pizu Group Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement or this announcement misleading.*

**HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 September 2017 (the “Interim Period”) was approximately RMB522.99 million, representing a decrease of approximately 78.78% as compared to the corresponding period in the previous fiscal year.
- The Group recorded a profit attributable to owners of approximately RMB82.83 million for the Interim Period.
- The Group recorded a total comprehensive income attributable to owners approximately RMB80.79 million for the Interim Period.
- Basic earnings per share of the Group was approximately RMB0.023 for the Interim Period.
- The Board recommend the payment of interim dividend of HK\$0.003 per share.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months and the six months ended 30 September 2017*

		(Unaudited)		(Unaudited)	
		Six months ended		Three months ended	
		30 September		30 September	
		2017	2016	2017	2016
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>522,992</b>	2,464,554	<b>282,064</b>	472,145
Cost of goods sold and services provided		<b>(325,362)</b>	(2,364,118)	<b>(198,752)</b>	(415,283)
<b>Gross profit</b>		<b>197,630</b>	100,436	<b>83,312</b>	56,862
Other income and gain		<b>3,785</b>	256	<b>2,434</b>	107
Share of profits/(losses) of associates		<b>651</b>	(93)	<b>(108)</b>	(80)
Share of loss of a joint venture		–	(100)	–	(100)
Selling and distribution expenses		<b>(13,278)</b>	(7,054)	<b>(6,306)</b>	(3,543)
Administrative and other operating expenses		<b>(29,186)</b>	(27,505)	<b>(13,709)</b>	(13,870)
<b>Operating profit</b>		<b>159,602</b>	65,940	<b>65,623</b>	39,376
Finance costs		<b>(2,509)</b>	(7,873)	<b>(1,476)</b>	(4,099)
<b>Profit before income tax</b>		<b>157,093</b>	58,067	<b>64,147</b>	35,277
Income tax	5	<b>(19,636)</b>	(10,125)	<b>(6,320)</b>	(5,807)
<b>Profit for the period</b>	6	<b>137,457</b>	47,942	<b>57,827</b>	29,470
<b>Other comprehensive income for the period</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences arising from – translation to presentation currency		<b>(2,046)</b>	(3,085)	<b>1,532</b>	(9)
<b>Total comprehensive income for the period</b>		<b>135,411</b>	44,857	<b>59,359</b>	29,461

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months and the six months ended 30 September 2017*

	(Unaudited)		(Unaudited)	
	Six months ended		Three months ended	
	30 September		30 September	
	2017	2016	2017	2016
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit attributable to:</b>				
Owners of the Company	<b>82,834</b>	23,579	<b>34,027</b>	14,792
Non-controlling interests	<b>54,623</b>	24,363	<b>23,800</b>	14,678
	<u><b>137,457</b></u>	<u>47,942</u>	<u><b>57,827</b></u>	<u>29,470</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>80,788</b>	20,494	<b>35,559</b>	14,783
Non-controlling interests	<b>54,623</b>	24,363	<b>23,800</b>	14,678
	<u><b>135,411</b></u>	<u>44,857</u>	<u><b>59,359</b></u>	<u>29,461</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Earnings per share</b>	<b>8</b>			
<b>Basic and diluted</b>	<u><b>0.023</b></u>	<u>0.007</u>	<u><b>0.010</b></u>	<u>0.005</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2017*

		(Unaudited) 30 September 2017 <i>RMB'000</i>	(Audited) 31 March 2017 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		226,171	233,581
Prepaid lease payments for land		5,714	5,873
Prepayments		12,003	1,941
Finance lease receivables		2,282	10,485
Intangible assets		374	153
Interests in associates		4,758	3,494
		<b>251,302</b>	255,527
<b>Current assets</b>			
Inventories		26,113	21,640
Trade and bills receivables	9	313,572	141,740
Other receivables, prepayments and deposits		177,193	73,881
Prepaid lease payments for land		203	203
Finance lease receivables		26,507	17,143
Amounts due from shareholders		483	417
Amounts due from associates		580	1,973
Amount due from a joint venture		3,937	2,800
Pledged deposit		7,800	13,150
Cash and cash equivalents		132,542	98,810
		<b>688,930</b>	371,757
<b>Current liabilities</b>			
Trade payables	10	176,635	57,962
Other payables and accruals		44,677	30,238
Borrowings		86,990	101,736
Dividend payable		23,438	14,150
Amount due to a director		666	823
Amounts due to related companies		89,006	45,941
Amount due to a shareholder		7,830	–
Income tax payable		16,680	6,838
		<b>445,922</b>	257,688
<b>Net current assets</b>		<b>243,008</b>	114,069
<b>Total assets less current liabilities</b>		<b>494,310</b>	369,596

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	<i>Note</i>	(Unaudited) <b>30 September 2017</b> <i>RMB'000</i>	(Audited) 31 March 2017 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Borrowings		<b>30,000</b>	40,000
Deferred tax liabilities		<b>905</b>	905
		<u><b>30,905</b></u>	<u>40,905</u>
<b>Net assets</b>		<u><b>463,405</b></u>	<u>328,691</u>
<b>Equity</b>			
Share capital		<b>40,259</b>	40,259
Reserves		<b>219,484</b>	148,094
		<u><b>259,743</b></u>	<u>188,353</u>
Equity attributable to owners of the Company		<b>259,743</b>	188,353
Non-controlling interests		<b>203,662</b>	140,338
		<u><b>463,405</b></u>	<u>328,691</u>
<b>Total equity</b>		<u><b>463,405</b></u>	<u>328,691</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2017 (Unaudited)*

	Equity attributable to owners of the Company												
	Share capital	Share premium	Capital distributable reserve	Contributed surplus	Restructuring reserve	Merger reserve	Convertible bonds – equity reserve	Foreign currency translation reserve	Statutory and other reserves	Accumulated losses	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2017	40,259	773,878	25,141	933	89,227	(613,604)	-	(30,404)	37,847	(134,924)	188,353	140,338	328,691
Profit for the period	-	-	-	-	-	-	-	-	-	82,834	82,834	54,623	137,457
Other comprehensive income for the period:													
Exchange differences arising from													
– translation to presentation currency	-	-	-	-	-	-	-	(2,046)	-	-	(2,046)	-	(2,046)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,046)	-	82,834	80,788	54,623	135,411
Dividend declared	-	-	-	-	-	-	-	-	-	(9,398)	(9,398)	-	(9,398)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	8,701	8,701
Utilisation of other reserves	-	-	-	-	-	-	-	-	(2,714)	2,714	-	-	-
At 30 September 2017	<u>40,259</u>	<u>773,878</u>	<u>25,141</u>	<u>933</u>	<u>89,227</u>	<u>(613,604)</u>	<u>-</u>	<u>(32,450)</u>	<u>35,133</u>	<u>(58,774)</u>	<u>259,743</u>	<u>203,662</u>	<u>463,405</u>
At 1 April 2016	36,757	634,729	25,141	933	89,227	(613,604)	48,638	(25,675)	38,012	(184,276)	49,882	91,607	141,489
Profit for the period	-	-	-	-	-	-	-	-	-	23,579	23,579	24,363	47,942
Other comprehensive income for the period:													
Exchange differences arising from													
– translation to presentation currency	-	-	-	-	-	-	-	(3,085)	-	-	(3,085)	-	(3,085)
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,085)	-	23,579	20,494	24,363	44,857
Transfer to statutory and other reserves	-	-	-	-	-	-	-	-	3,308	(3,308)	-	-	-
Utilisation of other reserves	-	-	-	-	-	-	-	-	(3,339)	3,339	-	-	-
At 30 September 2016	<u>36,757</u>	<u>634,729</u>	<u>25,141</u>	<u>933</u>	<u>89,227</u>	<u>(613,604)</u>	<u>48,638</u>	<u>(28,760)</u>	<u>37,981</u>	<u>(160,666)</u>	<u>70,376</u>	<u>115,970</u>	<u>186,346</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	(Unaudited)	
	Six months ended	
	30 September	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	<u>13,627</u>	<u>22,445</u>
<b>Cash flows from investing activities</b>		
Interest received	65	256
Proceed from disposal of property, plant and equipment	14,724	4,291
Purchase of property, plant and equipment	(23,471)	(43,346)
Investment in a joint venture	–	(2,700)
Increase in prepayments	(8,701)	–
Decrease/(increase) in pledged deposit	5,350	(5,120)
Decrease in amounts due from related companies	–	432
Net cash used in investing activities	<u>(12,033)</u>	<u>(46,187)</u>
<b>Cash flows from financing activities</b>		
Decrease in amount due to a director	(157)	(866)
Increase in amounts due to shareholders	7,764	(11)
Increase in amounts due to related companies	43,065	9,448
Interest paid	(2,509)	(61)
Repayment of bank borrowing	(24,746)	4,760
Capital contribution from non-controlling interest	8,701	–
Net cash generated from financing activities	<u>32,118</u>	<u>13,270</u>
Net decrease in cash and cash equivalents	33,712	(10,472)
Cash and cash equivalents at beginning of the period	98,810	38,226
Effect of foreign exchange rate changes	<u>20</u>	<u>25</u>
Cash and cash equivalent at end of the period	<u><u>132,542</u></u>	<u><u>27,779</u></u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2017*

## 1. CORPORATE INFORMATION

Pizu Group Holdings Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is SMP Partners (Cayman) Limited, Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110, Cayman Islands. The address of its principal place of business is Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 6 August 2004.

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in bulk mineral trade, manufacturing and sale of explosives and provision of blasting operation and related services.

The Group principally operates in the People’s Republic of China (the “PRC”) with its business activities principally transacted in Renminbi (“RMB”), the results of the Group are therefore prepared in RMB.

The condensed consolidated financial statements of Group for the six months ended 30 September 2017 (the “interim financial statements”) have not been audited but have been reviewed by the Audit Committee, and were approved for issue by the board of directors on 13 November 2017.

## 2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”).

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017 (the “2017 Annual Financial Statements”).

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2017 Annual Financial Statements.

### 3. REVENUE

An analysis of the revenue from the Group's principal activities is as follows:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Sale of civil explosives	<b>214,478</b>	149,319	<b>160,873</b>	83,404
Provision of blasting operations	<b>282,867</b>	55,816	<b>113,572</b>	50,298
Sales of commodity goods	<b>25,647</b>	2,259,419	<b>7,619</b>	338,443
	<u><b>522,992</b></u>	<u>2,464,554</u>	<u><b>282,064</b></u>	<u>472,145</u>

### 4. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. The information is reported to and reviewed by the board of directors, the chief operating decision-makers, for the purpose of resource allocation and performance assessment.

The Group has identified and presented the segment information for the following reportable operating segments. These segments are managed separately.

- Explosives trading and blasting services: manufacturing and sale of explosives and provision of blasting operations in the PRC and Tajikistan
- Bulk mineral trade: trading of non-ferrous metals and minerals in Hong Kong and the PRC

No segment assets and liabilities are presented as the information is not reported to the board of directors in the resource allocation and assessment of performance.

**Six months ended 30 September 2017 (Unaudited)**

	<b>Bulk mineral trade RMB'000</b>	<b>Explosives trading and blasting services RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Segment revenue</b>			
External sales	<u>25,647</u>	<u>497,345</u>	<u>522,992</u>
Segment (loss)/profit	<u>(341)</u>	<u>163,634</u>	<u>163,293</u>
Other income			1,381
Unallocated corporate expenses			(5,072)
Finance costs			<u>(2,509)</u>
Profit before income tax			<u><u>157,093</u></u>

**Six months ended 30 September 2016 (Unaudited)**

	<b>Bulk mineral trade RMB'000</b>	<b>Explosives trading and blasting services RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Segment revenue</b>			
External sales	<u>2,259,419</u>	<u>205,135</u>	<u>2,464,554</u>
Segment (loss)/profit	<u>(1,516)</u>	<u>70,915</u>	69,399
Other income			256
Unallocated corporate expenses			(3,715)
Finance costs			<u>(7,873)</u>
Profit before income tax			<u><u>58,067</u></u>

**Three months ended 30 September 2017 (Unaudited)**

	<b>Bulk mineral trade RMB'000</b>	<b>Explosives trading and blasting services RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Segment revenue</b>			
External sales	<u>7,619</u>	<u>274,445</u>	<u>282,064</u>
Segment (loss)/profit	<u>(210)</u>	<u>67,036</u>	<u>66,826</u>
Other income			565
Unallocated corporate expenses			(1,768)
Finance costs			<u>(1,476)</u>
Profit before income tax			<u><u>64,147</u></u>

**Three months ended 30 September 2016 (Unaudited)**

	<b>Bulk mineral trade RMB'000</b>	<b>Explosives trading and blasting services RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Segment revenue</b>			
External sales	<u>338,443</u>	<u>133,702</u>	<u>472,145</u>
Segment (loss)/profit	<u>(746)</u>	<u>42,475</u>	41,729
Other income			107
Unallocated corporate expenses			(2,460)
Finance costs			<u>(4,099)</u>
Profit before income tax			<u><u>35,277</u></u>

## 5. INCOME TAX

No provision for profits tax in the Cayman Islands, the British Virgin Islands (“BVI”) or Hong Kong has been made as the Group has no assessable profit in these jurisdictions.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. Enterprise Income Tax in China (“EIT”) is calculated at the applicable EIT rate of 25%, except that:

- (i) two PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate. One of the subsidiaries is entitled to preferential tax rate of 15% for a period of 3 years from 20 August 2013 and such period is further extended for 3 years to 28 November 2019 after the review by the tax authority on 29 November 2016. Another subsidiary is entitled to preferential tax rate of 15% for a period of 3 years from 29 August 2014.
- (ii) a branch which is located in the Tibet Autonomous Region of the PRC is entitled to preferential tax rate of 9%. Based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for the period from 1 January 2015 to 31 December 2017. The EIT rate will resume to 15% from 31 December 2017 onwards if no further announcement of preferential tax treatment is made.
- (iii) tax on profits assessable in the Tajikistan has been calculated at the applicable Tajikistan enterprise income tax rates of 13% or 23%.

	(Unaudited)		(Unaudited)	
	Six months ended		Three months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax				
– Charge for the period				
– PRC	17,518	10,125	4,202	5,807
– Tajikistan	2,118	–	2,118	–
	<u>19,636</u>	<u>10,125</u>	<u>6,320</u>	<u>5,807</u>

## 6. PROFIT FOR THE PERIOD

Profit for period is arrived at after charging the followings:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation of property, plant and equipment	<b>26,234</b>	9,257	<b>14,356</b>	5,122
Amortisation of prepaid lease payment for land	<b>107</b>	101	<b>51</b>	51
Amortisation of intangible assets	<b>46</b>	15	<b>23</b>	8
	<b>26,387</b>	9,373	<b>14,430</b>	5,181
Finance costs				
– Imputed interest on convertible bonds	–	7,812	–	4,063
– Interest charge on bank borrowings	<b>2,509</b>	61	<b>1,476</b>	36
	<b>2,509</b>	7,873	<b>1,476</b>	4,099

## 7. DIVIDENDS

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Proposed special final dividend	<b>9,398</b>	–	<b>9,398</b>	–

The special final dividend for the year ended 31 March 2017 was recognised during the six months ended 30 September 2017 and the payment date is 15 November 2017.

The Board recommends payment of interim dividend of HK\$0.003 per share (Six months ended 30 September 2016: Nil).

The interim dividend declared subsequent to 30 September 2017 has not recognised as a liability as at 30 September 2017.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Profit for the period attributable to owners of the Company	<b>82,834</b>	23,579	<b>34,027</b>	14,792

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,558,724</b>	3,156,168	<b>3,558,724</b>	3,156,168

For the calculation of diluted earnings per share, no adjustment has been made to the basic earnings per share for the three months and six months ended 30 September 2017 and 2016 as there was no dilutive potential ordinary shares in existence for the three months and six months ended 30 September 2017, and the convertible bonds outstanding for the three months and six months ended 30 September 2016 had an anti-dilutive effect on the basic earnings per share.

## 9. TRADE AND BILLS RECEIVABLES

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	<b>134,005</b>	83,526
Bills receivables	<b>179,567</b>	58,214
	<b>313,572</b>	141,740

Bills receivables generally have credit terms ranging from three months to one year. Customers of commodity trade are usually required to pay deposit or even make provisional payment ranging from 95% to 105% of the cargo value before goods delivery. Trade receivables of sale of explosives and provision of blasting operations are due upon presentation of invoices while the Group grants credit period in the range of from 0-30 days to its customers of provision of blasting operations.

The ageing analysis of trade receivables, based on invoice date, as of the end of the reporting period is as follows:

	<b>(Unaudited)</b> <b>30 September</b> <b>2017</b> <i>RMB'000</i>	(Audited) 31 March 2017 <i>RMB'000</i>
0-30 days	<b>42,800</b>	47,841
31-90 days	<b>81,293</b>	16,962
91 days to 1 year	<b>8,322</b>	14,896
Over 1 year	<b>1,590</b>	3,827
	<b>134,005</b>	83,526

#### 10. TRADE PAYABLES

Ageing analysis of trade payables, based on the invoice date, is as follows:

	<b>(Unaudited)</b> <b>30 September</b> <b>2017</b> <i>RMB'000</i>	(Audited) 31 March 2017 <i>RMB'000</i>
0-180 days	<b>174,019</b>	55,485
181-365 days	<b>1,960</b>	1,262
Over 1 year	<b>656</b>	1,215
	<b>176,635</b>	57,962

#### 11. CAPITAL COMMITMENTS

The following is the detail of capital expenditure contracted for but not provided in the interim financial statements:

	<b>(Unaudited)</b> <b>30 September</b> <b>2017</b> <i>RMB'000</i>	(Audited) 31 March 2017 <i>RMB'000</i>
Commitment for acquisition of property, plant and equipment	<b>7,678</b>	9,146



## 12. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the interim financial statements, the Group entered into the following transactions with related parties:

Name of related party	Related party relationship	Type of transaction	Transaction amount (Unaudited)	
			Six months ended 30 September	
			2017	2016
			<i>RMB'000</i>	<i>RMB'000</i>
Inner Mongolia Shengan Security Limited	Entity under common control by Mr. Ma, controlling shareholder	Security services provided by the related party	550	294
Wuhai City Tianrun Blasting Services Company Limited	Associate	Sales to the related party	8,802	481

*Notes:*

The terms of the above transactions were based on those agreed among the Group and the related parties in normal course of business.

- (b) Members of key management personnel of the Group during the reporting period comprised only the directors of the Company and remuneration paid/payable to them for the period amounted to RMB800,000 (Six months ended 30 September 2016: RMB740,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

Revenue of the Group for the six months ended 30 September 2017 decreased by 78.78% as compared with the same period in 2016. The decrease was mainly due to the Group has focused on civil explosive business and provision of blasting operations (the turnover increased by approximately 1.42 times as compared with the same period in 2016) which can generate substantial and sustainable profit for the Group, and reduced trading business with low gross margins.

The selling and distribution expenses for the six months ended 30 September 2017 increased by approximately 88.23% as compared with the same period in 2016. It was mainly due to the significant increase in sales of civil explosive and provision of blasting operations.

### **Liquidity and Financial Resources**

As at 30 September 2017, the net assets of the Group amounted to approximately RMB463.41 million (31 March 2017: net assets of RMB328.69million). Current assets amounted to approximately RMB688.93 million (31 March 2017: RMB371.76 million) of which approximately RMB132.54 million (31 March 2017: RMB98.81 million) were cash and bank balances and approximately RMB177.19 million (31 March 2017: RMB73.88 million) were other receivables, prepayments and deposits. The Group's current liabilities amounted to approximately RMB445.92 million (31 March 2017: RMB257.69 million).

### **Capital Structure**

Capital structure of the Group comprises equity plus debts raised by the Group net with cash and cash equivalents. There is no movement in share capital for the six months ended 30 September 2017.

### **Significant Investments**

During the six months ended 30 September 2017, the Group had injected USD1,250,000 to "KM Muosir Limited Liability Company" which has been established in Tajikistan.

### **Segment Information**

The segment information of the Group is covered in note 4 to the interim financial statements.

### **Material Acquisitions**

During the six months ended 30 September 2017, the Group did not have any material acquisition.

## **Gearing Ratio**

As at 30 September 2017, the Group's gearing ratio, calculated as total debts of approximately RMB116.99 million (31 March 2017: RMB141.74 million) divided by total assets of approximately RMB940.23 million (31 March 2017: RMB627.28 million) was 12.44% (31 March 2017: 22.60%). The decrease in gearing ratio was due to the increase in profit generated for the period.

## **Charge of Assets**

As at 30 September 2017, certain trade receivables amounted to RMB34,707,000 (31 March 2017: RMB23,238,000), certain property, plant and equipment amounted to RMB106,639,000 (31 March 2017: RMB141,779,000), certain leasehold lands amounted to RMB3,760,000 (31 March 2017: RMB3,804,000) and the certain bank deposits amounted to RMB7,800,000 (31 March 2017: RMB13.15 million) were pledged to secure the Group's bank loans.

## **Capital Commitment**

The Group's material capital commitments as at 30 September 2017 are set out in note 11 to the interim financial statements.

## **Foreign Exchange Exposure and Hedging Policy**

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi and to a lesser extent in Tajikistanisomoni, the Board considers that the Group has no material foreign exchange exposure and no hedging policy has been taken.

## **Contingent Liabilities**

As at 30 September 2017, the Group did not have any material contingent liabilities (31 March 2017: nil).

## **Human Resources**

As at 30 September 2017, the Group had 1,969 (31 March 2017: 411) full time and no part-time (31 March 2017: 4) employees in the PRC, Hong Kong and Tajikistan. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Review**

For the period ended 30 September 2017, the primary income source of the Group mainly came from civil explosive manufacturing and service business and the bulk mineral trade business. After reviewing the business operation in recent years, the Group will focus on civil explosive business due to the fact that this operation can generate substantial and sustainable profit for the Group. Also, the Group will continue to positively expand the provision of blasting operation.

The Group had also successfully renewed the money lender licence on 15 May 2017, and will continue to develop the lending business.

The Group's civil explosive business in Tajikistan's subsidiary has begun to bring the profit to the Group.

### **Business Outlook**

The Group will continue to focus on the development of civil explosive business.

The Group will continue to put more efforts on developing the manufacturing of explosives business and make steady profit. We endeavor to expand to the downstream business and we shall continuously strive to develop mine engineering operation just as we are developing the Tibet engineering business. The Group will seek progress amidst stability, make the best of government policies such as "the Belt and Road" initiative and explore new market.

In addition, in view of the rapid growth of the Group's profits, the Group plans to distribute its first interim dividend. The Board of the Company will actively consider the gradual establishment of a stable dividend payout policy, in order to share the results of the Group with all the shareholders.

The Group will also continue to monitor the changes in the economic environment cautiously and carry out developments in various businesses, and continue to create value for the shareholders.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests or short positions of the Directors (the "Directors") and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### The Company – interests in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. Ma Qiang	Interest of a controlled corporation <i>(Note 3)</i>	1,209,329,665 ordinary shares (L)	33.98%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	688,053,557 ordinary shares (L) <i>(Note 4)</i>	19.33%
Mr. Xiong Zeke	Interest of a controlled corporation <i>(Note 5)</i>	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	10,573,333 ordinary shares (L)	0.30%
Ms. Qin Chunhong	Beneficial owner	34,024,908 ordinary shares (L)	0.96%
Mr. Liu Fali	Beneficial owner	240,215,854 ordinary shares (L)	6.75%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,657,167,368 ordinary shares (L) <i>(Note 4)</i>	46.57%

*Notes:*

1. The letter “L” denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 September 2017.
3. These shares were held by Shiny Ocean, the entire issued share capital of which was owned by Mr. Ma Qiang. Accordingly, Mr. Ma Qiang was deemed to be interested in all the shares in which Shiny Ocean was interested by virtue of the SFO.
4. These shares represented the interest of Mr. Ma Suocheng, Ms. Ma Ye, Ms. Ma Xia, and Mr. Liu Fali in 151,666,666, 124,005,000, 172,166,037 and 240,215,854 shares of the Company respectively.

Pursuant to an irrevocable undertaking (the “Irrevocable Undertaking”) dated 22 June 2015 given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang. Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali had undertaken, among others, (i) to exercise the conversion rights attached to the respective Convertible Bonds held by them in accordance with the direction of Mr. Ma Qiang; (ii) to exercise their voting rights as shareholders of the Conversion Shares (upon the exercise of the conversion rights attached to the respective Convertible Bonds held by them) in the shareholders’ meeting of the Company in accordance with the direction of Mr. Ma Qiang; and (iii) not to transfer the conversion rights nor Conversion Shares they obtained upon the exercise of the conversion rights to any third party without prior written consent from Mr. Ma Qiang.

Accordingly, Mr. Ma Qiang was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali were interested by virtue of the SFO and Mr. Liu Fali was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Ma Suocheng and Mr. Ma Qiang were interested by virtue of the SFO.

5. These shares represented the interests of Fabulous Seeker Holdings Limited in 80,811,927 shares of the Company. As the entire issued share capital of Fabulous Seeker Holdings Limited was owned by Mr. Xiong Zeke, he was deemed to be interested in all the shares in which Fabulous Seeker Holdings Limited was interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO**

So far as is known to any Director or chief executive of the Company, as at 30 September 2017, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### **Long positions in shares**

<b>Name of shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities held</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b> <i>(Note 2)</i>
Shiny Ocean	Beneficial owner	1,209,329,665 ordinary shares (L)	33.98%
Mr. Ma Suocheng	Beneficial owner	151,666,666 ordinary shares (L)	4.26%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,745,716,556 ordinary shares (L) <i>(Note 3)</i>	49.05%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L)	4.84%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,725,217,185 ordinary shares (L) <i>(Note 3)</i>	48.48%
Ms. Ma Ye	Beneficial owner	124,005,000 ordinary shares (L)	3.48%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,773,378,222 ordinary shares (L) <i>(Note 3)</i>	49.83%

<b>Name of shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities held</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b> <i>(Note 2)</i>
Mr. Liu Fali <i>(Note 4)</i>	Beneficial owner	240,215,854 ordinary shares (L)	6.75%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,657,167,368 ordinary shares (L) <i>(Note 3)</i>	46.57%
Mr. Yang Tao	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Li Man	Beneficial owner	271,979,268 ordinary shares (L)	7.64%
Mr. Lv Wenhua	Beneficial owner	240,215,854 ordinary shares (L)	6.75%

*Notes:*

1. The letter “L” denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 September 2017.
3. By virtue of the SFO and the Irrevocable Undertaking given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang, (1) Mr. Ma Suocheng was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (2) Ms. Ma Xia was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; and (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested.
4. Mr. Liu Fali is an executive director of the Company.

Save as disclosed herein, as at 30 September 2017, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register which was required to be kept under section 336 of the SFO concerning persons carrying rights to vote in all circumstances at general meetings of any other members of the Group.



## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (six months ended 30 September 2016: nil).

## **COMPETING INTERESTS**

For the six months ended 30 September 2017, none of the Directors or the controlling shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles and has complied with all the code provisions as set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 September 2017, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the six months ended 30 September 2017.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provisions C.3.1 to C.3.6 of the Code. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee is composed of the four independent non-executive Directors of the Company, namely Ms. Zhang Lin, Mr. Enhe Bayaer, Ms. Liu Talin and Ms. Yao Yunzhu.

The interim report of the Group for the six months ended 30 September 2017 has been reviewed and commented by the members of the audit committee.

By order of the Board  
**Pizu Group Holdings Limited**  
**Ma Qiang**  
*Chairman*

China, 13 November 2017

*As at the date of this announcement, the Board comprises ten Directors. The executive Directors are Mr. Ma Qiang (Chairman), Mr. Xiong Zeke (Chief Executive Officer), Mr. Liu Fali (chief Operating Officer), Mr. Ding Baoshan, Ms. Qin Chunhong and Mr. Ma Tianyi, and the independent non-executive Directors are Mr. Enhe Bayaer, Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and on the Company’s website at [www.pizugroup.com](http://www.pizugroup.com).*